

COUNCIL ON HOUSING
Public Session
Huling Cove Community Building
Lewes, Delaware
October 8, 2008

Action Items

- **Step-Up Program Presentation**
- **Delaware Federation of Housing Counselors, Inc. FY09 Grant Request**
- **Lexington Green Funding Request**

John Walker, Chair, called to order the Public Session of the Council on Housing at 2:03 p.m. on October 8, 2008. In addition to Mr. Walker, the following Council members were present:

Russ Huxtable	Bill Pearson
Hugh Leahy	Ralph Peters
Connie Louder	Ruth Sokolowski
Connie McCarthy	Vincent White

The following Council members were absent and excused from the meeting:

Roseann Harkins	Norma Zumsteg
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The following also attended the meeting:

Lynda Blythe, Administrative Specialist III, Delaware State Housing Authority (DSHA)
Calvin Bonniwell, Housing Project/Loan Manager, DSHA
Eric Hart, Application Programmer, Programming Support, DSHA
Matt Heckles, Executive Assistant, DSHA
Saundra Johnson, Director, DSHA
Jerry Jones, Housing Finance/Development Administrator, DSHA
James Loescher, Housing Project/Loan Manager, DSHA
Tim McLaughlin, Deputy Director, DSHA
Vicky Powers, Management Analyst II, DSHA

Guests present:

John Bentz, Property Advisory Group
Danielle Darring, Property Advisory Group
Charlotte Herbert, Delaware Association of Realtors
Peter Tondreault, Property Advisory Group
Felicia Kellum, West End Neighborhood House

Valerie Malone, First State Community Action Agency / Delaware Federation of Housing Counselors
Gina Miserendino, Delaware Housing Coalition
Roland R. Ridgeway, Interfaith Community Housing of Delaware, Inc. / Delaware Federation of Housing Counselors, President
Deb Shultz, League of Women Voters
Tracy R. Spriggs, First State Community Action Agency / Delaware Federation of Housing Counselors, Treasurer

APPROVAL OF MINUTES

A motion was made by Mr. Leahy to approve the September 10, 2008 Minutes as written. Seconded by Mr. Huxtable, the motion passed unanimously.

HDF STATEMENT

Mr. Jones prefaced the review of the HDF statement by describing the Huling Cove facility (Item 110) at which the meeting is taking place. Mr. Jones stated a DSHA-controlled corporation developed the site, which includes 66 units plus the community building, in the mid 1980's and it is one of the last Section 8 subsidized sites in Delaware. In 2007, Council approved approximately \$4 million in funding from HDF and Preservation funds to rehabilitate the site. The contractor is ahead of schedule and the rehabilitation is going very well.

Reviewing the attached HDF statement, Mr. Jones noted there were few changes from the prior month and stated the following requests for funding approval being presented at this meeting are:

- Lexington Green Apartments (Items 115 and 116) - a portion of the funds will come from the preservation allocation received in 2008. The remaining funds will be from the HDF.
- Step-Up Program (Item 119) - this is a request for a second round of rental subsidy funding for the homeless.
- Federation of Housing Counselors (Item 120) - this is their third grant request to Council.

Also on the statement but not being presented today are:

- Marcella's House/Judy's House (Item 117) - is a Connections, Inc. project from Wilmington and will be the final Tax Credit request in 2008.
- West End Pavilion (Item 118) - is an 11-unit homeownership project that Cornerstone West is proposing to develop in Wilmington.

DIRECTOR'S REPORT

Ms. Johnson updated the Council on the following:

HERA (Housing and Economic Relief Act of 2008)

This Act includes the Neighborhood Stabilization Fund Program designed to create new homeownership from foreclosed homes to stabilize communities hit with a high number of foreclosures. There are five categories for use of the funds:

1. Financing mechanisms for purchase and redevelopment of foreclosed homes.
 2. Purchasing and rehabilitating abandoned or foreclosed properties.
 3. Establishing land banks for foreclosed homes.
 4. Demolishing blighted structures.
 5. Redeveloping demolished or vacant properties.
- The entire \$19.6 million allocation from HUD will be given to DSHA for distribution.
 - Program regulations have been released by HUD and can be found on their website.
 - Funds are to be targeted to the areas of greatest need within the state.
 - DSHA will issue a Request For Proposal (RFP) for participants in the program.
 - An action plan must be submitted to HUD by December 1, 2008.
 - DSHA will host an open public meeting to discuss eligible activities and the application process on Tuesday, October 14th, at 1:00 p.m. at the Del Tech Dover Campus.

Financial Markets Rescue and Tax Extenders Bill

The regulations for the \$700 billion rescue program have yet to be established. The four areas of the Bill are:

1. Assist stressed homeowners.
2. Extend expiring tax provisions.
3. Increase the income threshold for the Alternative Minimum Tax.
4. Provide disaster relief.

Further updates will be given to the Council either via emails, newsletters or special reports.

Relief Pitchers Foreclosure Prevention Summit

The Summit was held September 29th in the Carvel State Building Auditorium. The goal was to train community leaders on specific ways they can help prevent foreclosures for homeowners in their own areas.

DSHA Participation in Home Build

Ms. Johnson reported approximately 35 DSHA employees volunteered to participate in a home build with Milford Housing Development Corp. (MHDC). Mr. Huxtable expressed his thanks for the volunteers who worked on two MHDC self-help projects, one in Coverdale and one in Laurel, along with some of the potential homeowners. DSHA plans to participate with MHDC again next spring and hopes to have more staff participation.

Mr. Walker, at this time, welcomed Ralph Peters as the newest Council Member. The re-appointments by the Governor to the Council of Ms. Harkins, Ms. Louder, Ms. Sokolowski, Ms. Zumsteg, and Mr. Leahy were also announced by Mr. Walker.

STEP-UP PROGRAM

Mr. Jones began the Step-Up presentation (copy attached) by reminding Council that, last year, they had approved a \$1 million grant for the Step-Up pilot program, which is a three-year subsidy program for homeless individuals. As a result of a RFP which was issued, 35 units to-date have been provided subsidy and 53 individuals have been housed. This success now prompts the request for an additional grant to aid 35 more units for three years.

Mr. Jones noted the beneficiaries of the program are young adults exiting the foster care program who are at risk of becoming chronically homeless and individuals with mental health and/or substance abuse. Mr. Jones stated that Executive Order 65 created the Delaware Interagency Council on Homelessness (DICH) which was charged with developing and implementing Delaware's Ten-Year Plan to end chronic homelessness and reduce long-term homelessness. Subsequently, DICH created a plan called "Breaking the Cycle" and the program became codified in Delaware Code in June 2008. The plan has five broad recommendations:

1. Develop new housing for the homeless - DSHA has a request for funding for a tax credit project of 30 units of housing being developed by Connections CSP in Wilmington.
2. Accessing affordable housing - this is DSHA's Step-Up program.
3. Discharge and transitional planning - a program through the prison system is not yet formulated.
4. Supportive services - being provided by several agencies throughout Delaware.
5. Collect data on homeless for technology purposes - the Homeless Planning Council, which has been partially funded by the Council on Housing in the past collects data through its Housing Management Information System for state and federal purposes.

Mr. Jones reviewed the criteria for selection of an organization to participate in the Step-Up program as outlined in the handout as well as for the individuals to be assisted. The Grantees of the first RFP were West End Neighborhood House, Connections CSP and Gateway House. The activities to date were also discussed with Mr. Jones noting a total of 53 individuals currently being assisted.

Mr. White questioned if West End Neighborhood House had housing and why there is a waiting list. Mr. Jones stated West End does not have its own housing, they locate landlords; and, the waiting list is due to a lack of units and subsidy available. Ms. Sokolowski asked if a tenant would leave the program could someone else take their place and Mr. Jones responded yes.

Ms. Powers, who handles the Step-Up program on a daily basis, began her PowerPoint presentation outlining the results of the program to date, a copy of which was distributed to the attendees and is also attached to these Minutes. Ms. Powers stated that as of September 2008, the program is 100% leased up. Ms. Powers continued that each Grantee is required to submit monthly reports, along with their waiting lists, as to their performance requirements. A demographics report is required on a quarterly basis, a cumulative report of which is included in the presentation indicating 53 clients in 35 households are being served. Mr. White asked what other demographics were requested. Ms. Powers stated there are several case management categories required of each client such as education, income, employment, and many others and is confidential to the client. Mr. White requested a copy of these categories be supplied to him. Mr. Peters asked how \$370,500 funded 15 units for one development but only 10 in another. Ms. Powers responded that Connections helps individuals while West End assists families.

Ms. Powers continued by stating every six months a performance report of the agency's goals is submitted to help determine what, if any, barriers exist to the attainment of their goals and how those barriers might be alleviated. Ms. Sokolowski asked if the housing is considered permanent. Ms. Johnson noted there are two different groups currently being assisted: one group that will probably be assisted permanently because they are unable to sustain a self-sufficient lifestyle on their own and; second, those who are exiting foster care and have no place to go but will, hopefully, be able to develop the skill sets to live on their own in other permanent housing. Mr. Pearson asked if the number of people, in all categories, who leaving the system next year is known and, if not, has that information been requested. Ms. Johnson responded the number leaving the prison system has been requested but not received and that is why the Step-Up program is focused only on the foster care and individuals being discharged from psychiatric or mental institutions or substance abuse locations. Mr. Pearson asked if the number exiting foster care on a monthly basis is known. Ms. Johnson said the measurement is at the end of a school year and is approximately 60-70 per year. Mr. Pearson stated the performance measurement seemed to measure quantity rather than quality of help provided. Ms. Powers responded there is limited data available at this time as the program has only been in existence for six months but felt the reports for each Grantee, as shown on the handouts, showed positive results so far. The next annual report will be in January 2009. Ms. McCarthy asked about the type of medical coverage being given. Ms. Powers stated Medicare is covering all recipients. Mr. White questioned if medical coverage was a requirement of each Grantee to which Ms. Johnson responded that it is.

Mr. Pearson asked if DSHA received reports from the Grantees regarding criminal or nuisance activities. Mr. White pointed out that those type of reports are not required in any other funded projects and should not be in the Step-Up program unless agreed to after further discussion by Council and DSHA. Mr. Jones stated all rental projects that DSHA funds follow the Landlord Tenant Code for the state of Delaware and it is the responsibility of the landlords and/or site managers to police their tenants. Mr. White requested that the record reflect the Council's concern

about criminal matters at DSHA funded properties and that further discussion be held. Mr. Walker said the matter would be tabled at this time and scheduled for a future meeting.

Ms. Kellum next gave a PowerPoint presentation, copy attached, regarding the Step-Up Program at West End Neighborhood House (“West End”). Mr. Pearson asked for the address of the property which Ms. Kellum stated was 710 N. Lincoln Street, Wilmington, Delaware. Ms. Kellum highlighted:

- The West End name for their program is “Partnering with Parents” as it describes the population they are serving which are single mothers as well as families.
- The various Life Lines programs of West End.
- The collaboration with other agencies throughout the state who also provide the case management for them for the Step-Up program.
- There are no participants in Sussex County at this time due to initial time constraints of the program. Should more housing and/or funding be available West End hopes to become active in Sussex County.
- The population served noting one of its requirements is that the former foster youth must be pregnant and/or parenting.
- The program goals of promoting accountability and self sufficiency of the participants, aid in furthering education to increase employability, facilitating skill development and helping to develop safe and stable families to prevent participant’s children from entering foster care.
- The various aspects of the program design.
- Types of services offered.
- Current status of the program.
- Accomplishments to date.

Mr. Pearson asked if the foster youth must be pregnant to participate. Ms. Kellum responded no, they must either be pregnant or parenting. Ms. Kellum explained that a man parenting a child would qualify for Step-Up assistance; however, a childless man would not qualify for Step-Up assistance but could through one of West End’s other programs.

Mr. White asked how West End would know if they had helped to prevent participant’s children from entering foster care after the three-year period. Ms. Kellum advised that the agency hopes to achieve this by continuing to work with participants after they have left West End’s programs; however, she could not give assurance that they would know outcomes beyond three years.

Mr. Pearson asked if participant information was gathered as to age, education, etc. and what would happen if participants, after receiving services would stop reporting to their case managers. Ms. Kellum stated each participant must sign a contract of participation, which includes agreeing to meet with their case managers, and they would lose their subsidies if they failed to meet their obligations.

Ms. McCarthy asked if the lease was signed with the individual or West End and if wording referencing the Step-Up Program was included in it. Ms. Kellum stated the lease is signed with the individual and the subsidy goes directly to the landlord. Ms. Kellum responded it is a standard lease agreement West End uses and no mention of Step-Up is made so as to provide the participant a real rental experience while creating a rental history for them. West End's contract with landlords is that the landlords agree to accept a portion of the rent from the program and that should anything contrary to the lease occur West End would be notified.

Ms. Kellum concluded her presentation with a brief story of and quotation from a participant as to how the program has helped them.

Mr. Jones stated it is the recommendation of staff that Council approve Resolution No. 375 providing a grant of \$1 million to DSHA for a three-year period continuing a second round of the Step-Up Program. Mr. Jones stated Mr. Leahy and Mr. Walker will be on the selection committee to review responses to the new RFP. Mr. Vincent moved the Resolution not be read orally at which time Mr. Walker asked for Council approval which was unanimously given.

DELAWARE FEDERATION OF HOUSING COUNSELORS, INC. (DFHC) GRANT REQUEST

Mr. Jones presented the \$175,000 one-year funding request (copy attached) stating the funds are used by homebuyers utilizing DSHA's Second Mortgage Assistance Loans program (SMAL) for closing costs assistance. Mr. Jones explained SMAL was originally funded by Council several years ago to be tied to DSHA's first-time homebuyer program. Funding for SMAL had originally been through Housing Development Fund (HDF) monies but more recently through a bond issue. Mr. White asked if SMAL was currently being funded through a bond issue and if the program was available to all lenders. Mr. Jones stated yes, there are a number of lenders that participate in DSHA's first-time homebuyer's loan program.

Referring to the handout, Mr. Jones continued by noting:

- 2007 Grant statistics show 352 second mortgage loans granted with a mortgage average of approximately \$179,000.
- DFHC is comprised of eight service providers.
- DSHA is a small portion of the DFHC's funding source of approximately \$2 million annually.
- Other funding sources include HUD's annual SuperNOFA, as well as foundation funds and bank funds as noted in the handout.
- The Program Description which includes the fact that counselors have national counseling certifications, counseling is available in English and Spanish, the commitment is to serve families underserved, that individuals are charged \$100 for counseling services and that counseling funds at a rate of \$500 per closing is only paid upon closing of the SMAL loan.

- The expected impact of the program indicates, on average, 33% of those completing the required counseling workshops are qualified to purchase a home. Those not qualifying are significantly closer to homeownership and many are assisted with rental situations and mortgage default counseling.
- DSHA's annual goal is to assist 1,250 first-time homebuyers; the DFHC provides 25% this goal.
- 350 Homeowners are expected to be assisted this year.

Referring to the demographics chart in the handout, Mr. Peters asked why New Castle County had a lower percentage of recipients above the median average than Kent and Sussex Counties. Mr. Ridgeway responded the answer is a shortage of affordable housing and lack of people requesting the DFHC's assistance. Mr. Jones reviewed a summary of DFHC's activity for the 2007 calendar year included in the presentation.

Mr. White again called for a waiver of orally reading of the Resolution. Ms. Sokolowski expressed concern as to whether DSHA was providing assistance to those agencies providing default counseling. Mr. Jones replied the DEMAP program provides \$500 per recipient to agencies for counseling people in default situations but the counseling is not tied to DSHA funding. Mr. Jones also noted DSHA's programs historically have a low default record, primarily because the recipients receive counseling before homeownership and that DSHA does no subprime lending. Ms. Sokolowski acknowledged the help by DEMAP but was still concerned about those homeowners for whom DEMAP was not the answer. Mr. McLaughlin suggested discussion be held at a later date regarding potentially other funding noting part of the problem is capacity and education on the counselors part. Mr. Laughlin stated, by the end of October, DSHA will receive federal funds for education of counselors in default/foreclosure counseling and that a seminar will be held. Mr. Ridgeway stated DFHC foreclosure counseling has greatly increased and they are trying to counsel as many as possible but funding, education and lack of homeowner participation has been a hindrance.

Mr. Walker called for Council's approval of DFHC's request as written in Resolution No. 376. With the exception of Ms. Louder who abstained, the motion was unanimously passed.

Mr. White requested the role of housing counseling be added to a future Council agenda prior to the next funding request and agreed that he will consult with the Council members to determine the agenda for the discussion.

LEXINGTON GREEN FUNDING REQUEST

Mr. Jones stated the site is almost 30 years and the heating, electrical and all facets of the physical plant is in need of substantial rehabilitation. This is a preservation site which means units as well as subsidy is being preserved.

Using the attached handout, Mr. Jones reviewed the funding request noting:

- DSHA requests 30% of the equity funding by construction closing and the balance by permanent closing which this project is meeting as indicated on the attached pie chart.
- Funding will be used to acquire and rehabilitate a 125-unit garden style apartment development.
- The development will be downsized to 100 units to make it financially feasible.
- The development will become energy efficient by greatly needed upgrades being made throughout the entire facility.
- Construction financing of nearly \$7 million will be from JPMorgan Chase and \$3.2 million in permanent financing will be from DCIC, plus DSHA's respective loans.
- Approximate acquisition cost per unit is \$36,000.
- Rehabilitation work is estimated to be \$70,000 per unit.
- There is an identity of interest with the developer in that they are part of the general partner and management agent; however, the parties will not receive any more than an unrelated entity would.
- Due to the changing market, the best equity minimum contribution currently available is \$.82, down from the \$.83 minimum previously required by DSHA.
- DCIC, a primary lender and equity partner, is providing equity funding for the project. Many lenders throughout the country are not participating at this time.
- HUD's approval of density reduction, new ownership and management agent, tenant-paid utilities and the assignment of a Housing Assistance Payments contract is required before closing the loan.

Mr. Peters asked if the estimated \$.82 was a locked-in rate. Mr. Jones said no rate is locked in until settlement when the partnership agreement is signed but feels fairly confident in DCIC's calculations. However, should the rate drop dramatically at the time of settlement the project would probably be brought before Council for additional funding.

Mr. Walker asked what the relocation of the 25 reduced units would cost DSHA. Mr. Jones stated there would be no additional cost as HUD provides the subsidy and there are a couple of existing sites, requiring less subsidy than Lexington Green, to which subsidy for 25 units could be assigned.

Ms. Sokolowski asked for clarification that there would be 25 fewer units at this development when completed. Mr. Jones responded yes, that the reduction is primarily to make the financing work and the need to create a safer environment at the development.

Mr. Walker asked if Council had previously funded the development. Mr. Jones said yes, with a multi-family bond deal around 1982. The bond, still attached to the site, will be retired with this new funding.

Mr. Peters asked 1) what the owner would do if Council did not approve this request and 2) had if they solicited bids from other sources for the development. Mr. Jones responded the owner would probably walk away and DSHA would be faced with providing funding to pay off the bond holders (approximately \$4 million), end up with a deteriorating site to manage and 125 subsidized units would be lost. As to solicitation of bids from other sources, Mr. Jones did not believe there had been inasmuch as the applicant, who is also a developer, had been managing the property and had submitted this request.

Mr. Walker moved that Resolution No. 377 be approved. Ms. McCarthy seconded the motion and it was unanimously approved.

Ms. Miserendino asked if current residents were involved in the design of the property and noted the existence of security concerns. Mr. Jones responded residents are very involved in management procedures and relocation but not in the design process. Mr. Bentz stated the developer is very aware of the security concerns which have been addressed in the budget and tenants will be made aware of the rehabilitation items.

ADMINISTRATIVE MATTERS

Mr. Walker continued the meeting with the following:

Committee Appointments

After a request for volunteers, the Committees will be:

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| Loan Review - | Chair - Ms. Zumsteg
Members - Mr. Walker and Mr. Leahy |
| Communications - | Chair - Ms. McCarthy
Members - Ms. Harkins, Messrs. Pearson, Peters and White |
| Operations - | Chair - Ms. Louder
Members - Ms. Sokolowski and Mr. Huxtable |

Mr. White suggested Committee members be rotated each year. Mr. Walker stated members could request assignment to any committee.

Transition Letter to New Administration

Ms. Johnson had suggested Council present a transition letter to the new administration. Mr. Pearson asked if it would be in addition to Ms. Johnson's DSHA report to which she replied, yes. As this had never been done previously, discussion ensued as to whether it should be and, if so, what would it contain. Ms. Sokolowski and Mr. Pearson suggested the Annual Report would suffice. Mr. Walker asked that the Communications Committee discuss this request and report their decision to the Council at the next meeting.

Annual Report

Mr. Pearson distributed a two-page outline of questions and suggestions (copy attached) for Council's consideration and began by asking if there was one housing authority in Delaware encompassing all others. Ms. Johnson responded that there is not, that each authority

operates under its separate jurisdiction; however, none of the other authorities or agencies do everything DSHA does for the entire state. Ms. Johnson stated this Council, however, does have subpoena powers for other housing authorities. Mr. Pearson asked if there would be benefit in inviting the other authorities to provide their input to Council's letter. Ms. Sokolowski agreed that comments should be invited from other authorities as well as the general public. Mr. Pearson suggested two documents be prepared annually, the first being a draft with public comments invited and then the final document which would be submitted to the Governor and Legislature prior to budget submission. Ms. Sokolowski asked if the final document would be submitted prior to the budget approval date, approximately June 30th, or when the Governor submits the budget in January. Mr. McGonigle explained the budget process which the Governor begins with hearings in August/September; final recommendations for the Governor's budget are prepared in December then submitted to the General Assembly in January. Joint Finance Committee (JFC) hearings are held in February/March with a mark up in May and the final budget prepared in June. Mr. McGonigle suggested Council remember their charge is to provide advice and recommendations to both the Governor and General Assembly in a timely and helpful manner which would mean prior to final budget approval. Mr. McGonigle suggested that, inasmuch as this would be Council's first report and it being a transitional year, the Council prepare a report as close to the end of the calendar year as possible. Reports in future years, Mr. McGonigle continued, should then be provided to the Governor and General Assembly in time for consideration in the Governor's budget, ideally in October/November.

Mr. Pearson recommended Council members obtain and review copies of the documents referenced in his handout and provide input to him. Ms. Sokolowski noted, ideally by this time each year, Council would receive a report from Ms. Johnson and staff as to conditions, needs and priorities for the coming year which Ms. Sokolowski thought would be used as a resource for Council's report. Ms. Johnson stated the report had been produced around July/August; Mr. McLaughlin stated a skeleton report was created and given to Committee members but agreed to send a copy to each member by October 10th. Ms. McCarthy stated the Communications Committee will have a draft report prepared for Council by the next meeting.

Mr. White asked if minority opinions would be included in the report. Council agreed, in order to provide a more clear and concise report, they would not. Mr. Leahy recommended the report contain a minimal amount of statistics but rather focus on the interpretation of the statistics' meaning for Delaware regarding imbalances in supply and demand as well as in funding and resources. It is Mr. White's recommendation that a more global perspective be included in the letter, i.e. the future role of both DSHA and Council; should Council be permitted to go into debt; or create structure for another housing finance agency. Ms. Johnson stated Council is only one of four councils and/or commissions, of which she is aware, that is preparing transitional documents.

SCHEDULING OF NEXT MEETING

The next Council meeting is scheduled for Wednesday, November 12, 2008, at 2:00 p.m. at the Buena Vista Conference Center in New Castle.

ADJOURNMENT

Motion for adjournment was made by Mr. Peters and seconded by Mr. White. Upon unanimous approval the meeting adjourned at 4:28 p.m.

Respectfully submitted,

Lynda T. Blythe